GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:178
ANSWERED ON:25.07.2006
CONCESSIONS UNDER SPECIAL ECONOMIC ZONES .
Acharia Shri Basudeb

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) The details of concessions provided to the companies under the Special Economic Zones;

(b) Whether the Government is also providing tax holidays for SEZ units till March, 2009 on their export earnings; and

(c) If so, the details thereof and the steps taken by the Government to stop misutilisation of the facilities by these units?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY(SHRI JAIRAM RAMESH)

(a) The major incentives offered to units in the Special Economic Zones

(SEZs) to promote exports include duty free import/domestic procurement of goods, exemption from Central Sales Tax on supplies made from Domestic Tariff Area, exemption from service tax and 100% income tax exemption on export profits for the first 5 years, 50% for the next 5 years and 50% of ploughed back export profits for the next 5 years.

(b) No, Sir.

(c) Following safeguards have been provided in the SEZ Act/Rules with a view to prevent misutilisation of the facilities/incentives:-

In order to fulfil the obligation regarding proper utilization and accountal, the unit has to execute the bond-cum-legal undertaking.

Where the entrepreneur or developer does not utilize the goods or services on which exemptions have been availed, refund of the amount equal to the benefits availed has to be made.

The letter of approval to the entrepreneur can be cancelled in case of contravention/non-fulfillment of terms and conditions or obligations.

Provision for penal action has also been provided in case of non-achievement of net foreign exchange.

There are provisions in the SEZ Rules for monitoring of utilization of goods imported or procured from the Domestic Tariff Area.